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Ministry of Finance

Public Accounts of Ontario

Financial Statements

1999-2000

To The Honourable
Hilary M. Weston
Lieutenant Governor of Ontario

May It Please Your Honour:

The undersigned has the honour to present, to Your Honour, the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2000, in accordance with the requirements of the *Ministry of Treasury and Economics Act.*

Respectfully submitted,

Honourable Ernie Eves, Q.C.
Minister of Finance
Toronto, November 2000

101-01225/

Minister of Finance's Report

It is with pleasure that I present the 1999-2000 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2000.

To assist readers, the organization and content of the Public Accounts is described in A Guide to Public Accounts on page ix of this volume.

Comments or general enquiries will be welcomed and should be directed to the Office of the Controller, Ministry of Finance.

Honourable Ernie Eves, Q.C.
Minister of Finance
Toronto, November 2000

Table of Contents

Page

A Guide to Public Accounts ix

Sources of Additional Information xi

Introduction xiii

Financial Statements

Statement of Responsibility for the Financial Statements 3

Auditor's Report 5

Summary of Significant Accounting Policies 6

Statement of Revenue, Expenditure and Net Debt 10

Statement of Financial Position 11

Statement of Cash Flows 12

Notes to the Financial Statements 13

Schedules to the Financial Statements 27

A Guide to Public Accounts

Scope of the Public Accounts

The 1999-2000 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:

Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund schedules reflect the financial activities of the government's ministries on a modified cash basis.

Volume 2 contains the financial statements of significant provincial corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of expenditure and the Ontario Public Service senior salary disclosure.

Sources of Additional Information

Province of Ontario Annual Report

The government has prepared an annual report, which gives financial and economic highlights of the past year and reports on performance against the goals set out in the Budget. The report includes a summarized version of the financial statements. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Province of Ontario Annual Report, visit the Ministry of Finance website at http://www.gov.on.ca/FIN/english/budeng.htm.

The Ontario Budget

The Ontario Government presents a Budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access to the Ontario Budget, visit the Ministry of Finance website at http://www.gov.on.ca/FIN/english/budeng.htm.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry, which are submitted for approval to the Legislative Assembly, per the *Supply Act*. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto.

Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what targets have been set and how results will be measured. It also includes a summary of expenditures. Copies may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access, go to http://www.gov.on.ca/MBS/english/press/plans2000/index.html.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to http://www.gov.on.ca/FIN/english/oecoeng.htm.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to http://www.gov.on.ca/FIN/english/oecoeng.htm.

Introduction

The financial statements of the Province of Ontario include the following:

- a statement of the government's responsibilities for preparing the financial statements and for maintaining systems of financial management and internal control;
- the Provincial Auditor's report on the financial statements;
- a summary of the significant accounting policies that underlie the recording and disclosure of the financial activities of the Province in these financial statements;
- the Statement of Revenue, Expenditure and Net Debt, showing revenues generated from taxes and other sources less expenditures incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less financial resources that are available to pay debts or provide future public services;
- the Statement of Cash Flows, identifying financial resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements, which form an integral part of the financial statements and provide further explanatory information and detail on the balances contained in the various statements.

Basis of Government Accounting

These financial statements reflect the implementation of accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada.

Financial Statement and Budgetary Accounting - Modified Accrual Basis

The government implemented modified accrual accounting in the Public Accounts in 1994 and in the Budget in 1996. On a modified accrual basis, the effect of financial transactions is recognized as they occur rather than when cash is received or paid. Revenues are recognized when earned, financial assets when acquired, and expenditures when incurred.

Appropriation Control - Modified Cash Basis

Spending estimates for the Legislature are prepared on an accounting basis different from that used in preparing the financial statements. The modified cash basis is used in Volumes 1 and 3 of the *Public Accounts of Ontario* in accounting for spending under authorities of the Legislature.

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for and record goods and services received during the fiscal year just ended and for certain non-cash transactions.

Financial Statements

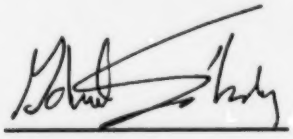
Statement of Responsibility for the Financial Statements

The financial statements are prepared by the Government of Ontario in compliance with legislation, and in accordance with accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada. The government accepts responsibility for the objectivity and integrity of the financial statements.

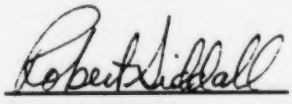
The government is also responsible for maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded and financial records are reliable in preparation of these financial statements.

The financial statements have been audited by the Provincial Auditor of Ontario and his report follows.

Dr. Robert Christie
Deputy Minister
October 16, 2000



Gabriel F. Sékaly
Assistant Deputy Minister
October 16, 2000



Robert Siddall, CA
Provincial Controller
October 16, 2000

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 2000 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

Erik Peters

Toronto, Ontario
August 9, 2000

Erik Peters, FCA
Provincial Auditor

Summary of Significant Accounting Policies

These financial statements reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are accountable for the administration of their financial affairs and resources, either to a minister of the government or directly to the Legislature, and that are owned or controlled by the government. All of these organizations that meet one of the following criteria are separately consolidated: i) revenues, expenditures, assets or liabilities greater than $50 million or ii) outside sources of revenues, deficit or surplus greater than $10 million. A listing of these agencies is provided in Schedule 6. The activities of all other agencies are reflected in these financial statements through the accounts of the ministries responsible for them.

Trusts administered by the government on behalf of other parties are excluded from the reporting entity. Information on trusts administered by the government is provided in Note 12.

Principles of Consolidation

Government organizations, except for government business enterprises, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government enterprises are defined as those Crown corporations, boards and commissions that, (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations, and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Net Debt.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements and notes thereto exists in the accruals for pension obligations, personal income tax, corporations tax and restructuring charges, including those arising from the restucturing of the Electricity Sector.

The nature of the uncertainty in the pension accrual arises because actual results may differ significantly from the Province's best estimates of expected results. Uncertainty related to the accrual for personal income tax and corporations tax arises because of the possible differences between the estimated and actual economic growth and related impact on taxes receivable. Uncertainty exists with respect to restructuring charges as the actual expenditures, incurred in the transfer and restructuring of certain programs and services, may differ from the initial estimates of expected costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Revenue

Revenues are recognized in the fiscal year that the events to which they relate occur.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as liabilities.

Expenditure

Expenditures are recognized in the fiscal year to which they relate.

Grants are recognized in the period during which the expenditure is authorized and all eligibility criteria are met.

The pension expenditure comprises the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets and amortization of the government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the government's share of plan amendments related to past service are recorded as an expenditure in the year the plan is amended.

For significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expenditure at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent obligations of the government to outside parties as a result of events and transactions occurring prior to the year-end.

Liabilities include probable losses on loan guarantees issued by the government, and contingent liabilities when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities include obligations to government business enterprises.

Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector

Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Interest on Debt Issued for Provincial Purposes and Debt Issued for Investment in Electricity Sector includes interest on outstanding debt, amortization of foreign exchange gains or losses, amortization of debt discounts or premiums, amortization of deferred hedging gains and losses and interest income on investments and loans.

The Province uses derivative financial instruments (derivatives) only for the purposes of hedging and to minimize interest costs. Derivatives are financial contracts, the value of which is derived from underlying assets. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions

The pension liability is calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions. When actual plan experience differs from that expected, or when assumptions are revised, gains and losses arise. These gains and losses are amortized over the average remaining service life of plan members.

Financial Assets

Financial assets include cash and claims by the Province arising from events and transactions occurring prior to the year-end.

Temporary investments are recorded at the lower of cost or fair value.

Properties held for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenditures.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Loans receivable with significant concessionary terms are recorded at the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expenditure at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan.

Tangible Capital Assets

In June 1997 the Public Sector Accounting Board approved accounting standards for the tangible capital assets of governments. Governments are to proceed with the adoption of such standards as soon as is practical. The Province is actively considering the future implementation of these standards as part of the Integrated Financial Information System project. In December 1999 the Province reconvened the Ontario Financial Review Commission, and the Commission's mandate includes a review of the Province's accounting for tangible capital assets.

In the interim, except for government business enterprises that capitalize assets purchased or constructed, the Province continues to charge the full cost of tangible capital assets to operations in the year of purchase or construction.

Trust Funds

Trust funds that have been deposited into the Consolidated Revenue Fund are included in Other Liabilities on the Statement of Financial Position.

Province of Ontario

Statement of Revenue, Expenditure and Net Debt

For the year ended March 31 ($ Millions)	Budget[1] 2000	Actual 2000	Actual 1999
Revenue (Schedule 1)			
Personal Income Tax	15,670	17,617	17,190
Retail Sales Tax	12,110	12,879	11,651
Corporations Tax	7,820	8,095	7,447
Employer Health Tax	2,990	3,118	2,882
Gasoline and Fuel Taxes	2,750	2,819	2,660
Other Taxes	1,245	1,353	1,247
Total Taxation	42,585	45,881	43,077
Government of Canada	5,556	5,885	4,515
Income from Investment in Government Business Enterprises (Schedule 7)	3,247	3,708	2,547
Other Revenue	6,762	7,457	5,647
	58,150	62,931	55,786
Expenditure (Schedules 2 and 3)			
Health	20,677	21,963	19,694
Education and Training (Note 9)	11,908	11,984	11,297
Social Services	9,473	9,482	9,569
Interest on Provincial Purpose Debt	9,298	8,977	9,016
Interest on Debt Issued for Investment in Electricity Sector (Note 4)	520	520	
Environment, Resources and Economic Development	3,845	5,093	4,083
Justice	2,144	2,304	2,096
General Government	1,861	992	1,957
Provision for Electricity Sector (Note 4)		383	
Restructuring Charges (Note 8)		211	76
	59,726	61,909	57,788
Reserve	500		
Net impact of Electricity Restructuring to be Recovered from Ratepayers		354	
Surplus (Deficit)	(2,076)	668	(2,002)
Balance, Beginning of Year			
Net Provincial Debt		114,737	112,735
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		19,433	
		134,170	112,735
Balance, End of Year			
Net Provincial Debt		113,715	114,737
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		19,787	
Net Provincial Debt and Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		133,502	114,737

See accompanying Notes and Schedules to the Financial Statements.

[1] Fiscal plan for the year ended March 31, 2000 per 1999 Ontario Budget.

Province of Ontario

Statement of Financial Position

As at March 31, 2000 ($ Millions)	2000	1999
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 4)	**13,333**	11,759
Debt Issued for Provincial Purposes (Notes 2, 3)	**106,137**	105,133
Debt Issued for Investment in Electricity Sector (Note 4)	**8,885**	
Deposits with the Province of Ontario Savings Office (Note 5)	**2,812**	2,517
Pensions (Note 6)	**4,646**	6,428
Provision for Electricity Sector (Note 4)	**383**	
Other Liabilities	**841**	1,050
	137,237	126,887
Financial Assets		
Cash and Temporary Investments (Note 7)	**6,882**	2,780
Accounts Receivable (Schedule 5)	**3,480**	3,593
Other Loans Receivable	**633**	3,300
Other Assets	**409**	467
Properties Held for Sale	**210**	237
Investment in Government Business Enterprises (Schedule 7)	**11,908**	1,773
	23,522	12,150
Net Provincial Debt	**113,715**	114,737
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers	**19,787**	
Net Provincial Debt and Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers	**133,502**	114,737

Contingent Liabilities (Note 10)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Statement of Cash Flows

For the year ended March 31 ($ Millions)	2000	1999
Cash Flows used in Operating Activities		
Surplus (Deficit) for the Year	**668**	(2,002)
Adjustments for:		
Income from Investment in Government Business Enterprises	**(3,708)**	(2,547)
Remittances from Government Business Enterprises	**2,456**	2,247
Other Items	**3,387**	(3,755)
Cash flows used in operating activities	**2,803**	(6,057)
Cash Flows used in Investing Activities		
Investment in Ontario Power Generation Inc. and Hydro One Inc.	**(8,885)**	
Cash Flows from Financing Activities		
Debt Issued for Provincial Purposes	**10,145**	10,290
Debt Retired for Provincial Purposes	**(9,141)**	(7,139)
Debt Issued for Electricity Sector	**8,885**	
Increase in Deposits with the Province of Ontario Savings Office	**295**	272
Cash flows from financing activities	**10,184**	3,423
Net Increase (Decrease) in Cash and Cash Equivalents	**4,102**	(2,634)
Cash and Cash Equivalents at Beginning of Year	**2,780**	5,414
Cash and Cash Equivalents at End of Year	**6,882**	2,780

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Notes to the Financial Statements

(all tables in millions of dollars)

1. Restructuring of the Ontario Electricity Industry

These financial statements report the financial activities of organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government, or directly to the Legislature, and that are owned or controlled by the government.

The organizations comprising the government reporting entity in 1999-2000 have changed from prior years largely as a result of the restructuring of the Ontario electricity industry. While Ontario Hydro was not included in the reporting entity in prior years, the successor companies, Ontario Power Generation (OPG), Hydro One Inc. (HOI), formerly Ontario Hydro Services Inc., Ontario Electricity Financial Corporation (OEFC), and Independent Electricity Market Operator (IMO) are now included. The Electrical Safety Authority (ESA), another successor company, is not included in the reporting entity as it is neither owned nor controlled by the Province. In prior years Ontario Hydro was not included in the reporting entity due to provisions of the *Power Corporation Act*, under which it was incorporated.

A listing of organizations included in the government reporting entity is provided in Schedule 6.

In October 1998, the Province enacted *The Energy Competition Act, 1998* (ECA) to restructure the Ontario electricity industry and to introduce competition. The ECA includes the *Electricity Act, 1998* (the "Act") and repeals the Power Corporation Act.

On April 1, 1999, pursuant to the Act, Ontario Hydro was continued as the Ontario Electricity Financial Corporation (OEFC). On that same date, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to Ontario Power Generation Inc. (OPG), Hydro One Inc. (HOI, formerly known as Ontario Hydro Services Company), their subsidiaries, and the Independent Electricity Market Operator (IMO) for $8.5 billion, $8.6 billion and $78 million respectively, (for a total of $17.2 billion) in exchange for debt payable to the OEFC. The $17.2 billion assigned to assets and liabilities transferred to OPG, HOI and the IMO was based on a valuation of these respective business units. On the same day, the Province assumed $8.9 billion of debt payable to the OEFC in exchange for an investment of $5.1 billion and $3.8 billion in the equity of OPG and HOI respectively.

The following is a condensed summary of the financial results of the OEFC for the year ended March 31, 2000:

Ontario Electricity Financial Corporation

Balance Sheet as at ($ Millions)	March 31, 2000	April 1, 1999
Assets		
Current assets	$255	$95
Electricity sector dedicated income due from Province	383	
Notes and loans receivable:		
Province of Ontario	8,885	8,885
Ontario Power Generation Inc.	3,400	3,400
Hydro One Inc.	4,845	4,845
Other	297	276
	18,065	17,501
Deferred debt costs	914	1,157
	$18,979	$18,658
Liabilities		
Current liabilities	$827	$941
Debt outstanding	31,338	30,486
Power purchase contracts	4,286	4,286
Nuclear risk funding	2,515	2,378
	38,966	38,091
Unfunded Liability (Stranded Debt)	(19,987)	(19,433)
	$18,979	**$18,658**

Statement of Revenue, Expense and Unfunded Liability For the year ended March 31 ($ Millions)	2000
Revenue	
Proxy debt retirement charge	$ 172
Payments-in-lieu of tax	889
Interest	1,118
Power sales	741
Electricity sector excess income	383
Other	27
Total Revenue	3,330
Expense	
Interest	2,785
Amortization of deferred debt costs	180
Power purchases	744
Debt guarantee fee	156
Operating	19
Total Expense	3,884
Excess of expense over revenue	554
Unfunded Liability (Stranded Debt), April 1, 1999	19,433
Unfunded Liability (Stranded Debt), March 31, 2000	$ 19,987

The Unfunded Liability (Stranded Debt) of $19,987 million and the Excess of expense over revenue of $554 million reflected in the OEFC financial statements for the year ended March 31, 2000, are each adjusted by $200 million in these financial statements through consolidation.

The successor entities to Ontario Hydro can be summarized as follows:

1. OPG, which holds and operates all generation assets;
2. HOI, which holds and operates all electricity transmission assets and distribution and energy services businesses;
3. IMO, the coordinator responsible for directing system operations and operating the electricity market; and
4. ESA, which performs a regulatory function related to electrical inspections.
5. OEFC, responsible for managing and retiring outstanding debt and certain other liabilities of the former Ontario Hydro.

At April 1, 1999, OEFC assumed approximately $38.1 billion in total liabilities from the former Ontario Hydro. The OEFC received a total of $17.2 billion represented by notes owing to it from the Province, OPG, HOI and the IMO. The difference of approximately $20.9 billion represents "stranded debt", defined under the Act as the amount of debt and other liabilities of OEFC that cannot reasonably be serviced and retired in a competitive electricity market. The opening Unfunded Liability (Stranded Debt) of $19.4 billion of the OEFC is comprised of these liabilities of $38.1 billion less notes receivable above of $17.2 billion, less other loans receivable of $200 million, less other assets of $1.3 billion.

Pursuant to the Act, the government has a long-term plan in place to retire the OEFC debt from within the electricity sector. A legislated structure has been put in place to ensure that the OEFC's revenues are derived strictly from the electricity sector and not the taxpayer, and to ensure that these revenues can only be used to service and retire OEFC debt and cannot be used by the Province. Under the *Electricity Act, 1998*, revenues of OEFC are applied to cover costs of operations and debt retirement. Any residual amount is held for debt redemption and cannot be distributed to the Province.

The government's intention under the long-term plan is to repay OEFC's obligations from the following sources:

- Notes receivable of $8.9 billion from the Province, $3.4 billion from OPG, $4.8 billion from HOI, and $78 million from IMO, for a total of $17.2 billion;
- Payments-in-lieu (PILs) of corporate income, property and capital taxes made by OPG, HOI, municipal electric utilities (MEUs), and local distribution utilities.
- A Debt Retirement Charge (DRC), to be paid by ratepayers based on the consumption of electricity.
- Provision for Electricity Sector Recovery Plan. Consistent with the Government's commitment to keep electricity income in the electricity sector, the combined net income of OPG and HOI in excess of the Province's cost of its investment in its electricity subsidiaries will be set aside for the retirement of OEFC's debt.

The long-term plan supports a reasonable estimate of the OEFC's obligations being defeased in the years ranging from 2010 to 2017. Given that the plan is based on assumptions, it is subject to uncertainty.

See Volume 2 for the complete financial statements of OEFC.

2. Debt Issued for Provincial Purposes

The Province borrows in both domestic and international markets to fund its deficits and to refinance maturing debt. The following table presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars.

Debt Issued for Provincial Purposes

As at March 31								2000	1999
Currency[1]	Canadian Dollar	U.S. Dollar	Pound Sterling	Japanese Yen	Deutsche Mark	French Franc	Other Currencies[2]	Total	Total
Fiscal Year Payable									
2000									$ 9,041
2001	$ 6,156	3,925	725	189	470	—	—	$ 11,465	7,920
2002	4,369	1,248	—	1,810	—	—	469	7,896	7,926
2003	4,197	6,332	450	206	—	—	436	11,621	11,291
2004	5,713	3	—	250	1,246	—	249	7,461	7,494
2005	6,541	1,406	473	712	—	—	374	9,506	—
1-5 years	26,976	12,914	1,648	3,167	1,716	—	1,528	47,949	43,672
6-10 years	20,344	5,835	—	2,260	—	1,709	253	30,401	32,289
11-15 years	7,570	—	—	—	—	—	—	7,570	10,074
16-20 years	1,255	—	—	—	—	—	—	1,255	1,074
21-25 years	4,600	—	—	—	—	—	—	4,600	4,873
26-50 years[3]	14,362	—	—	—	—	—	—	14,362	13,151
Total	$ 75,107	18,749	1,648	5,427	1,716	1,709	1,781	$ 106,137	$105,133
The effective interest rates (weighted average) as at March 31, on the above debt are:									
2000	8.80%	8.23%	7.53%	6.63%	6.97%	6.12%	6.81%	8.46%	
1999	9.20%	7.77%	7.54%	7.39%	7.40%	6.19%	6.22%		8.63%

[1] The balances and interest rates above reflect the effect of related derivative contracts, as discussed in Note 3 (Risk Management and Derivative Financial Instruments).

[2] Other Currencies comprise: Australian Dollar, Euro, Greek Drachma, Swiss Franc, Netherlands Guilder, Norwegian Kroner and New Zealand Dollar.

[3] The longest term to maturity is to March 1, 2045.

Debt Issued for Provincial Purposes As at March 31	2000	1999
Debt Payable to:		
Public investors	**$ 76,405**	$ 74,146
Ontario Teachers' Pension Plan	**12,252**	13,213
Canada Pension Plan Investment Fund	**10,369**	10,487
Public Service Pension Plan	**3,535**	3,604
OPSEU Pension Plan	**1,679**	1,712
Canada Mortgage and Housing Corporation	**1,181**	1,208
The Ontario Municipal Employees' Retirement Fund	**622**	666
Colleges of Applied Arts and Technology Pension Plan	**86**	89
Ryerson Retirement Pension Plan	**8**	8
Total Debt Issued for Provincial Purposes	**$ 106,137**	$ 105,133

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 2000 is $119.2 billion (1999, $127.4 billion). This is higher than the book value of $106.1 billion (1999, $105.1 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

3. Risk Management and Derivative Financial Instruments

The Province accesses both domestic and foreign markets in its efforts to issue debt in the most cost-effective manner. The Province's participation in the world's capital markets brings with it certain risks. The Province employs prudent risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which are derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which the Province agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows the Province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the Province uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The Province's current policy allows unhedged foreign exchange exposure up to 5 per cent of Debt Issued for Provincial Purposes plus Deposits with the Province of Ontario Savings Office, Other Liabilities and Debt Issued for Investment in Electricity Sector. At year-end, 1.4 per cent (1999, 1.1 per cent) of this debt was unhedged, with most of the currency exposure to U.S. dollars.

Interest rate risk is the risk of debt servicing costs varying due to changes in interest rates. The Province reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of liabilities specified above. For the fiscal year 1999-2000, the Province's floating rate debt (net of liquid reserves) as a percentage of liabilities specified above averaged 4.9 per cent (1998-1999, 5.9 per cent). As at March 31, 2000, floating rate debt, net of liquid reserves, as a percentage of liabilities specified above was 3.0 per cent (1999, 6.8 per cent).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, (i.e., cash and temporary investments (Note 7), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. To further reduce liquidity risk, the Province has syndicated lines of credit for U.S. $1.3 billion (1999, U.S. $1.3 billion) involving 37 banks worldwide, which had not been drawn on as at March 31, 2000.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2000, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit or market risk. Notional amounts are not representative of actual cash flows.

Derivative Portfolio Notional Value

As at March 31								2000	1999
Maturity in Fiscal Year	2001	2002	2003	2004	2005	6-10 Years	Over 10 Years	Total	Total
Swaps:									
Interest rate	$ 4,584	5,212	9,463	1,355	3,688	15,040	2,546	$ 41,888	$ 40,136
Cross currency	5,615	6,086	7,988	3,397	4,169	9,497	1,337	38,089	44,180
Forward foreign exchange contracts	954	—	—	—	—	—	—	954	1,498
Spreadlocks[1]	309	—	—	—	—	—	—	309	463
Options (Foreign exchange and Bonds)	160	—	—	—	—	—	—	160	290
Forward rate agreements	50	—	—	—	—	—	—	50	600
Futures	—	—	—	—	—	—	—	—	468
Total	$ 11,672	11,298	17,451	4,752	7,857	24,537	3,883	$ 81,450	$ 87,635

[1] Spreadlocks have been added to provide additional disclosure . Spreadlocks are options to enter into currency or interest rate swaps. Under a spreadlock structure, an institution may agree to provide a swap over a defined period (generally less than six months) at an agreed upon spread over a reference rate comparable to the maturity of the anticipated swap.

Derivatives introduce credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2000.

Credit Risk Exposure

As at March 31		2000	1999
Interest rate contracts:	Swaps	$ 668	$ 953
	Other[1]	—	8
Foreign exchange contracts:	Swaps	2,988	4,159
	Other[1]	18	1
Gross credit risk exposure		3,674	$ 5,121
Less: Netting agreements[2]		(1,995)	(3,086)
Net Credit Risk Exposure[3]		**$ 1,679**	$2,035

[1] Other includes credit exposure on options, futures, forward rate agreements and forward foreign exchange agreements.

[2] Contracts do not have coterminous settlement dates. Netting agreements use generally accepted forms and terms developed by the International Swaps and Derivatives Association (ISDA).

[3] Based on ISDA definitions, total exposure to counterparties with positive exposure (meaning that counterparties owed the Province) was $3,674 million (1999, $5,121 million) and the total exposure to counterparties with negative exposure (meaning that the Province owed the counterparties) was $3,283 million (1999, $3,931 million) for a total unrealized net asset of $391 million (1999, $1,190 million). The Province has an unrealized loss of $1,288 million (1999, $845 million) resulting from negative exposure to counterparties, which has no offsetting positive exposure, and which has not been included to reduce the Net Credit Risk Exposure.

The Province limits its credit risk exposure on derivatives by entering into contractual netting agreements with virtually all of its counterparties, which enables it to settle derivative contracts on a net basis in the event of a counterparty default.

The Province also manages its credit risk exposure by monitoring compliance with credit and risk limits regularly and by dealing with counterparties with good credit ratings. All of the Province's swap counterparties hold a "BBB+" rating or higher. At year-end, 81 per cent (1999, 78 per cent) of the notional amount of swaps outstanding was with financial institutions holding an "AA-" or higher rating. Counterparties for money market and foreign exchange transactions generally have at least an R1-mid rating by Dominion Bond Rating Service or an A-1 or P-1 rating by Standard and Poor's or Moody's respectively.

At March 31, 2000, the Province's most significant concentrations of credit risk were with two "A+" or higher rated counterparties, each of which represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to the Province, if it had to replace all of the swap contracts with these two counterparties is $793 million and $212 million, respectively.

4. Debt Issued for Investment in the Electricity Sector

Debt Issued for Investment in the Electricity Sector represents debt assumed by the Province for its investment in Ontario Power Generation Inc. (OPG) and Hydro One Inc. (HOI) of $8,885 million (Note 1). This debt bears interest at 5.85 per cent payable monthly, with maturities due from 2039-2041.

Provision for Electricity Sector

Pursuant to the *Electricity Act, 1998*, net income of OPG and HOI in excess of the Province's interest expenditure on its investment in the electricity sector must be set aside for retirement of OEFC's debt. In 1999-2000 net income of OPG and HOI amounted to $512 million and $391 million, respectively. The Province's interest on debt issued for its investment in the electricity sector amounted to $520 million in the same period. This resulted in a provision of $383 million for the electricity sector in 1999-2000.

5. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POSO) accepts deposits from the general public, government and other public bodies. These deposits form part of the Consolidated Revenue Fund and are direct liabilities of the Province. The Ontario Financing Authority operates POSO as agent of the Minister of Finance.

6. Pensions

Pension Liability

As at March 31	2000	1999
Obligation for pension benefits	$ 68,228	$ 66,269
Less: pension fund net assets	(81,688)	(73,844)
Adjustments (see below)	8,361	5,511
Unamortized experience gains	9,945	8,492
Pension Liability	$ 4,846	$ 6,428

Adjustments in the above table are made for the following: i) amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31; ii) experience gains and enhancement costs that are not attributable to the Province; and iii) pension contributions payable by the Province that are reflected in the pension plan assets.

Pension Expenditure (Revenue)

For the year ended March 31	2000	1999
Cost of pension benefits	$ 1,922	$ 1,805
Amortization of experience gains	(1,091)	(909)
Employee contributions	(852)	(854)
Interest	(507)	(194)
Total Pension Expenditure (Revenue)	$ (528)	$ (152)

Experience gains are amortized over 12 to 14 years. The government's best estimate of the future inflation rate used in the pension calculations is 2.5 per cent.

General

The Province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan (PSPP), the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the Province are each responsible for matching contributions to the plans of between seven and nine per cent of the member's salary.

Funding of these plans is based on statutory actuarial valuations. Such valuations, undertaken at least every three years, use more conservative assumptions than the annual best estimates' valuations that are used for financial statement purposes. Under partnership agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), new gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are to be shared equally by the partners.

The Province had also committed to make additional payments over forty years to eliminate the unfunded liabilities of all three plans that were identified in the January 1, 1990 statutory valuations. During the year, the Province applied its share of actuarial gains reported in the December 31, 1998 funding valuations against the outstanding balance of the unfunded liability of each plan. Consequently, the unfunded liability of the PSPP and OPSEU Pension Plan was reduced to $217 million as at March 31, 2000 (1999, $6,132 million). The unfunded liability of the OTPP was eliminated in 1999-2000.

In April 1999, the Province decided to amend the PSPP to extend the Factor 80 early retirement program from April 1, 2000 to March 31, 2002 for PSPP employees who receive notice of surplus on or before March 31, 2002. The impact of this amendment is $31 million and is included in the 1999-2000 pension expenditure.

During the year, OPSEU decided to use its members' and pensioners' share of actuarial gains revealed under the December 31, 1998 funding valuation to provide benefit improvements, a four per cent reduction in members' contributions for the next three years and to establish a member stabilization fund. The benefit improvements included an extension of Factor 80 to OPSEU members from April 1, 2000 to March 31, 2002, a lower Canada Pension Plan (CPP) benefit offset and higher survivor pensions. The impact of these amendments is $172 million and is included in the 1999-2000 Pension Expenditure.

Subsequent to March 31, 2000, the government made a similar decision to amend the PSPP to extend the Factor 80 program for PSPP members from April 1, 2000 to March 31, 2002, to reduce contributions of PSPP members and the government by 4 per cent of annual salary from August 1, 2000 to November 30, 2002, and to permanently eliminate the offset for PSPP members receiving CPP disability. The cost of this decision in 2000-2001 is estimated to be $140 million and will be included in 2000-2001 Pension Expenditure.

Other Plans

The Province maintains accounts within the Consolidated Revenue Fund regarding pension and related benefit funds for the Provincial Judges Pension Fund and the Deputy Ministers' Supplementary Benefit Account. The obligations for pension benefits related to these funds total $380 million (1999, $365 million) and are included in Other Liabilities.

7. Cash and Temporary Investments

Cash and Temporary Investments

As at March 31	2000	1999
Cash	$ (886)	$ (1,413)
Temporary investments	8,217	4,035
Add: assets purchased under resale agreements	1,770	1,428
Less: assets sold under repurchase agreements	(2,219)	(1,270)
	7,768	4,193
Total Cash and Temporary Investments	$ 6,882	$ 2,780

The fair value of temporary investments, net of the assets purchased and sold under resale and repurchase agreements, at March 31, 2000 is $7.8 billion (1999, $4.3 billion). Temporary investments primarily consist of investments in money market instruments and government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties to purchase and subsequently resell a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

8. Restructuring Charges

The government continues to implement restructuring decisions made over the past four years in the health, education and municipal sectors. This resulted in a restructuring charge of $211 million (1999, $76 million) this fiscal year.

9. Education and Training - School Board Operating Funding

Education and Training Expenditures

For the year ended March 31	2000	1999
School Board Operating Funding Allocation	$ 13,126	$ 12,986
Less: Property Taxes	5,763	5,890
Operating Grants	$ 7,363	$ 7,096
Adjustments	232	293
School Board Operating Grants - Adjusted	7,595	7,389
Colleges, Universities and Other Education Expenditures	4,389	3,908
Total Education and Training Expenditures	**$ 11,984**	**$ 11,297**

School boards in Ontario are funded by provincial operating grants and education property taxes. Ministry of Education expenditures reflect only provincial operating grants to school boards.

The Province, through regulations under *The Education Act*, calculates via a funding formula the annual school board operating funding. Accordingly, any decrease in property taxes would be offset by a higher level of provincial operating grants, and vice-versa.

Total school board operating funding allocations from both provincial operating grants and property taxes on a fiscal year basis are reported above in order to provide a more complete picture of the cost of Ontario's education programs. Since school board funding is actually provided on a school year basis, the above figures are derived on a pro-rata basis from the Ministry of Education's school board funding for the 1998, 1998-99, and 1999-00 school years.

10. Contingent Liabilities

Obligations Guaranteed by the Province

As at March 31	2000 Maximum Authorized	2000 Outstanding	2000 Provision	1999 Outstanding	1999 Provision
Debentures/Bonds and Notes of Ontario Electrical Financial Corporation	$ 21,691	$ 21,691	—	$ 26,238	—
Loans guaranteed	$ 3,068	$ 2,804	$ 697	$ 2,893	$ 993
Other	162	19	—	20	—
Total	$ 24,921	$ 24,514	$ 697	$ 29,151	$ 993

The provision for loans guaranteed is based on an estimate of the likely loss arising from guarantees under the Ontario Student Loan Program and is reflected in the Accrued Liabilities for Transfer Payments (Schedule 4).

Provincial Guarantees of Ontario Electricity Financial Corporation

During the year OEFC paid the Province a fee of $194 million (1999, $155 million), for the provision of the debt guarantee. Of this, $ 38 million related to past amounts owing from Ontario Hydro.

Social Housing - Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse CMHC for any net costs, including any environmental liabilities, incurred as a result of defaults of projects, directly or indirectly, through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

As of March 31, 2000, there were $10.4 billion (1999 $5.5 billion) of mortgage loans outstanding. This includes $5.1 billion arising from CMHC's interest in projects transferred to the Province on October 1, 1999. As operating subsidies provided are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown of which 69 are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

11. Commitments

The nature of the government's activities results in significant multi-year contracts and obligations. Major commitments that can be reasonably estimated are summarized as follows:

Commitments

As at March 31	2000	1999
Transfer payments	$ 503	$ 951
Leases	887	814
Construction contracts	435	714
Other	1,821	420
Total Commitments	**$ 3,646**	**$ 2,899**

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy obligations under commitments each year from 2001 to 2005 inclusive, and a total for amounts due in the year 2006 and subsequent years.

Schedule of Minimum Payments

As at March 31, 2000

Minimum Payments to be Made in:	Transfer Payments	Leases	Construction Contracts	Other	Total
2001	$ 253	$ 168	$ 342	$ 1,035	$ 1,798
2002	113	156	71	357	697
2003	57	126	22	219	424
2004	30	93	—	33	156
2005	35	73	—	26	134
2006 and thereafter	15	271	—	151	437
Total	**$ 503**	**$ 887**	**$ 435**	**$ 1,821**	**$ 3,646**

12. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

Workplace Safety and Insurance Board

As at December 31	1999	1998
Assets	$ 10,479	$ 9,338
Liabilities	16,881	16,436
Unfunded Liability	(6,402)	(7,098)
Revenues	3,833	3,649
Expenditures	2,929	2,690
Surplus	904	959
Change in accounting policy	(208)	—
Unfunded Liability, Beginning of Year	(7,098)	(8,057)
Unfunded Liability, End of Year	$ (6,402)	$ (7,098)

Other Trust Funds

As at March 31, 2000

	Assets	Liabilities	Fund Balance/ (Unfunded Liability)
The Public Guardian and Trustee for Province of Ontario	$ 1,043	$ 991	$ 52
Motor Vehicle Accident Claims Fund	$ 29	$ 100	$ (71)

As at December 31, 1999	Assets	Liabilities	(Unfunded Liability)
Deposit Insurance Corporation of Ontario	$ 11	$ 18	$ (7)

The most recent financial statements related to the significant trusts under administration are reproduced in Volume 2 of the *Public Accounts of Ontario.*

13. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2000 presentation.

Schedules to the Financial Statements

		Page
Schedule 1	Revenue	29
Schedule 2	Expenditure	30
Schedule 3	Expenditure by Ministry	31
Schedule 4	Accounts Payable and Accrued Liabilities	32
Schedule 5	Accounts Receivable	32
Schedule 6	Government Business Enterprises and Other Government Organizations	33
Schedule 7	Investment in Government Business Enterprises	34

Province of Ontario

Schedule 1: Revenue

For the year ended March 31 ($ Millions)	Budget 2000	Actual 2000	Actual 1999
Taxation			
Personal Income Tax	15,670	17,617	17,190
Retail Sales Tax	12,110	12,879	11,651
Corporations Tax	7,820	8,095	7,447
Employer Health Tax	2,990	3,118	2,882
Gasoline Tax	2,155	2,154	2,068
Fuel Tax	595	665	592
Land Transfer Tax	480	565	470
Tobacco Tax	470	481	447
Other Taxation	295	307	330
	42,585	45,881	43,077
Government of Canada			
Canada Health and Social Transfer	4,672	4,722	3,553
Social Housing	370	466	358
Student Assistance	64	170	64
Indian Welfare Services Agreement	100	85	155
Employability Assistance for People with Disabilities	65	65	71
Bilingualism Development	55	65	55
Young Offenders Act	58	58	57
Canada-Ontario Infrastructure Works	29	19	71
Other	143	235	131
	5,556	5,885	4,515
Income from Investment in Government Business Enterprises (Schedule 7)			
Ontario Power Generation Inc. and Hydro One Inc. (Note 4)	527	903	
Other	2,720	2,805	2,547
	3,247	3,708	2,547
Other			
Local Services Realignment	1,794	1,678	2,109
Sale of Highway 407	1,600	1,616	
Vehicle and Driver Registration Fees	880	911	890
Sales and Rentals	630	517	640
Other Fees and Licences	625	667	661
Liquor Licence Board of Ontario Revenues	515	539	519
Royalties	225	345	289
Fines and Penalties	57	41	50
Miscellaneous	436	1,143	489
	6,762	7,457	5,647
Total Revenue	**58,150**	**62,931**	**55,786**

Province of Ontario

Schedule 2: Expenditure

For the year ended March 31 ($ Millions)	2000	1999
Salaries and Wages	3,415	3,291
Employee Benefits	553	576
Pensions (Note 6)	(528)	(152)
Transportation and Communication	296	346
Services	2,566	2,181
Supplies and Equipment	662	639
Acquisition/Construction of Physical Assets	1,300	914
Transfer Payments	43,532	40,315
Interest on Provincial Purpose Debt	8,977	9,016
Interest on Investment in Electricity Sector (Note 4)	520	
Provision for Electricity Sector (Note 4)	383	
Restructuring (Note 8)	211	76
Other Transactions	22	586
Total Expenditure	**61,909**	**57,788**

Province of Ontario

Schedule 3: Expenditure by Ministry

For the year ended March 31 ($ Millions)	Budget 2000	Actual 2000	Actual 1999
Ministry			
Agriculture, Food and Rural Affairs	365	348	310
Attorney General	872	906	824
Board of Internal Economy	121	154	117
Citizenship, Culture and Recreation	435	412	371
Community and Social Services	7,699	7,532	7,686
Consumer and Commercial Relations	126	134	136
Correctional Services	635	687	570
Economic Development and Trade	111	94	89
Education	7,945	8,022	7,946
Teachers' Pension (Note 6)	(85)	(363)	67
Energy, Science and Technology	163	1085	356
Environment	373	335	196
Executive Offices	20	19	17
Finance	1,280	1,076	1,680
Interest on Provincial Purpose Debt	9,298	8,977	9,016
Interest on Investment in Electricity Sector (Note 4)	520	520	
Provision for Electricity Sector		383	
Health and Long-Term Care	20,677	22,006	19,744
Intergovernmental Affairs	4	4	4
Labour	95	101	108
Management Board Secretariat	1,142	271	577
Public Service/OPSEU Pensions (Note 6)	(223)	(165)	(219)
Municipal Affairs and Housing	1,546	1,655	1,673
Ontario Native Affairs Secretariat	24	18	20
Natural Resources	410	556	604
Northern Development and Mines	352	334	259
Office of Francophone Affairs	3	3	3
Solicitor General	741	814	754
Tourism	66	262	70
Training, Colleges and Universities	4,048	4,312	3,284
Transportation	1,363	1,417	1,526
Year-End Savings [1]	(400)		
Total Expenditure	59,726	61,909	57,788

[1] For Budget purposes, this item was not allocated to individual ministries.

Province of Ontario

Schedule 4: Accounts Payable and Accrued Liabilities

As at March 31 ($ Millions)	2000	1999
Transfer Payments	5,112	3,718
Interest on Provincial Purpose Debt	3,360	3,306
Restructuring	1,457	1,615
Salaries, Wages and Benefits	1,409	1,417
Other	923	1,301
Deferred Revenue	890	226
Obligations Under Capital Leases	130	165
Deferred Hedging	52	11
Total Accounts Payable and Accrued Liabilities	**13,333**	**11,759**

Province of Ontario

Schedule 5: Accounts Receivable

As at March 31 ($ Millions)	2000	1999
Taxes	2,786	3,154
Transfer Payments[1]	1,694	1,598
Other Accounts Receivable	393	360
Local Services Realignment	665	560
	5,538	5,672
Less: Provision for Doubtful Accounts	(2,214)	(2,219)
	3,324	3,453
Government of Canada	156	140
Total Accounts Receivable	**3,480**	3,593

[1] The transfer payment receivable consists primarily of recoverables of $832 million (1999, $864 million) for the Ontario Disability Support Program - Financial Assistance and $727 million (1999, $666 million) for the Student Support program. The provision for doubtful accounts includes a provision of $745 million (1999, $780 million) for Ontario Disability Support Program-Financial Assistance and $618 million (1999, $566 million) for Student Support.

Province of Ontario

Schedule 6: Government Business Enterprises and Other Government Organizations[1]

Government Enterprises	Responsible Ministry
Algonquin Forestry Authority (AFA)	Natural Resources
Hydro One Inc. (HOI)[2, 3]	Energy, Science and Technology
Liquor Control Board of Ontario (LCBO)	Consumer and Commercial Relations
Niagara Parks Commission (NPC)	Tourism
Ontario Casino Corporation (OCC)	Management Board Secretariat
Ontario Clean Water Agency (OCWA)	Environment
Ontario Development Corporation (ODC)	Economic Development and Trade
Ontario Lottery Corporation (OLC)	Management Board Secretariat
Ontario Northland Transportation Commission (ONTC)	Northern Development and Mines
Ontario Power Generation Inc. (OPG)[2]	Energy, Science and Technology
Other Government Organizations	
Agricorp	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Independent Electricity Market Operator[2]	Energy, Science and Technology
Legal Aid Ontario[4]	Attorney General
Metropolitan Toronto Convention Centre[5] (MTCC)	Tourism
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Educational Communications Authority (TV Ontario)[8]	Training, Colleges and Universities
Ontario Electricity Financial Corporation (OEFC)[2]	Finance
Ontario Financing Authority	Finance
Ontario Housing Corporation	Municipal Affairs and Housing
Ontario Place Corporation	Tourism
Ontario Realty Corporation	Management Board Secretariat
Ontario Science Centre[6]	Citizenship, Culture and Recreation
Ontario Securities Commission	Finance
Ontario Trillium Foundation[6]	Citizenship, Culture and Recreation
Royal Ontario Museum[6]	Citizenship, Culture and Recreation
Toronto Area Transit Operating Authority (Go Transit)[7]	Transportation

[1] The most recent audited financial statements of these Crown agencies are reproduced in Volume 2 of the Public Accounts of Ontario.

[2] Successor corporations of Ontario Hydro commenced operations effective April 1, 1999. See Note 1 of the financial statements.

[3] Formerly Ontario Hydro Services Company Incorporated.

[4] Legal Aid Ontario commenced operations effective April 1, 1999.

[5] Metropolitan Toronto Convention Centre no longer meets the criteria for classification as a government business enterprise.

[6] These organizations met the criteria for consolidation for the first time in fiscal year 1999-2000.

[7] On December 18, 1998 the Province gave Royal Assent to the *Greater Toronto Services Board Act, 1998*. Pursuant to this Act on August 7, 1999, the transit business of the Toronto Area Transit Operating Authority (Authority) was transferred to the Greater Toronto Transit Authority (GTTA). The transfer included all assets and liabilities, except for the rolling stock and debt subject to the conditional sales agreements, which the Authority continues to administer.

[8] Ministerial responsibility for TV Ontario was transferred from the Ministry of Citizenship, Culture and Recreation to the Ministry of Training, Colleges and Universities during 2000.

Province of Ontario

Schedule 7: Investment in Government Business Enterprises

For the year ended ($ Millions)	AFA March 31, 2000	HOP[2] March. 31, 2000	LCBO March 31, 2000	NPC Oct. 31, 1999	OCC March 31, 2000
Assets					
Cash/Temporary Investments	4	369	31	22	711
Accounts Receivable	2	595	13	3	14
Inventories	1	88	255	5	5
Prepaid Expenses			9		10
Long-term Investments					
Fixed Assets	2	8,395	172	99	782
Other Assets	2	819			17
Total Assets	11	10,266	480	129	1,539
Liabilities					
Bank Indebtedness					
Accounts Payable	1	416	221	6	153
Dividends Payable					
Notes Payable					
Deferred Revenue	2				
Long-term Debt		4,955			6
Other Liabilities		916			410
Total Liabilities	3	6,287	221	6	569
Net Assets	8	3,979	259	123	970
Revenue					
Revenue from Operations	21	3,135	2,549	74	2,140
Transfers from the Government					
Total Revenue	21	3,135	2,549	74	2,140
Expenditure					
Expenditure from Operations	20	2,744	1,704	66	1,020
Provincial Taxes					403
Total Expenditure	20	2,744	1,704	66	1,423
Net Income(Loss)	1	391	845	8	717
Net Assets - Beginning of Year	7	3,759	214	115	813
Payments from (to) CRF		(171)	(800)		(560)
Net Assets	8	3,979	259	123	970

Province of Ontario

Schedule 7: Investment in Government Business Enterprises

OCWA	ODC	OLC	ONTC	OPG[2]		
Dec. 31, 1999	March 31, 2000	March 31, 2000	Dec. 31, 1999	March. 31, 2000	Adjustments[1]	Total
132	18	178		796	(15)	2,246
12	2	36	22	846	3	1,548
			10	563	2	929
		25	1			45
72	21		3		(10)	86
13	12	335	243	12,866	6	22,925
6		158	17	1,008	1	2,028
235	53	732	296	16,079	(13)	29,807
			6		(1)	5
19	7	127	18	1,709	(9)	2,668
		13				15
1			70	3,426	(36)	8,422
8		29	5	5,420	1	6,789
28	7	169	99	10,555	(45)	17,899
207	46	563	197	5,524	32	11,908
115	20	2,634	135	5,821	12	16,656
			9			9
115	20	2,634	144	5,821	12	16,665
105	5	1,687	142	5,309	154	12,956
					(402)	1
105	5	1,687	142	5,309	(248)	12,957
10	15	947	2	512	260	3,708
197	87	152	195	5,126	(9)	10,656
	(56)	(536)		(114)	(219)	(2,456)
207	46	563	197	5,524	32	11,908

[1] Amounts are adjusted for government enterprises with a year end other than March 31 and the recognition of the liability to the First Nations Fund for the Casino Rama surplus.

[2] OPG and HOI results have been adjusted for unaudited results to March 31.

Schedule 7: Investment in Government Business Enterprises

Algonquin Forestry Authority (AFA)

The Algonquin Forestry Authority is a Crown agency established in 1975 under the *Algonquin Forestry Authority Act*. It is responsible for forest management and harvesting activities within Algonquin Park.

Hydro One Inc. (HOI)

Hydro One Inc. was incorporated on December 1, 1998 under the *Business Corporation Act* (Ontario) and is wholly owned by the Province of Ontario. The principal business of Hydro One is the transmission and distribution of electricity to customers within Ontario and is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario (LCBO)

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Niagara Parks Commission (NPC)

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Casino Corporation (OCC)

The Ontario Casino Corporation was established to conduct and manage games of chance; to ensure that games of chance are conducted and managed in accordance with the *Ontario Casino Corporation Act, 1993*, and the *Gaming Control Act, 1992*, and regulations made under these Acts; to provide for the operation of casinos; and to provide for the operation of any business that it considers reasonably related to operating a casino, including any business that offers goods and services to persons who play games of chance in a casino. Effective April 1, 2000 Ontario Lottery Corporation and the Ontario Casino Corporation merged into one corporation called the Ontario Lottery and Gaming Corporation.

Ontario Clean Water Agency (OCWA)

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems, as well as providing services to communities, all on a cost-recovery basis.

Ontario Development Corporation (ODC)

The Province has decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and wind down their activities. The primary objective through the wind down is to provide for the orderly realization of assets and settlement of debts maximizing the realization of assets and minimizing the negative impact on clients.

Ontario Lottery Corporation (OLC)

The Ontario Lottery Corporation (OLC) was established in 1975 under the *Ontario Lottery Corporation Act*, with the mandate to develop, undertake, organize, conduct and manage lotteries in Ontario on behalf of the provincial government. Since its creation, OLC has also entered a joint venture with other provinces, through the Interprovincial Lottery Corporation, to operate national and multi-province games. OLC is also responsible for the conduct and management of charity casinos and slot machine programs at race tracks in Ontario. Effective April 1, 2000 Ontario Lottery Corporation and the Ontario Casino Corporation merged into one corporation called the Ontario Lottery and Gaming Corporation.

Ontario Northland Transportation Commission (ONTC)

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

Ontario Power Generation Inc. (OPG)

The Ontario Power Generation Inc. was incorporated on December 1, 1998 pursuant to the *Business Corporations Act*. The provincial business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario Wholesale Market and in the interconnected markets of Quebec, Manitoba and the United States northeast and midwest.